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October 23, 2003

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PUBLIC SERVICE
COMMISSION

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

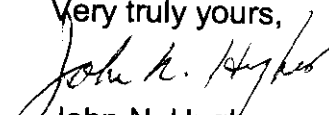
Re: Case No. 2003-00224

Dear Mr. Dorman:

Please file the attached monthly update of the District's Asset Management Program.

If there are any questions about this, please contact me.

Very truly yours,


John N. Hughes

Attorney for Northern
Kentucky Water District

Cc: Attorney General

NORTHERN KENTUCKY WATER DISTRICT ASSET MANAGEMENT PROGRAM

Progress Report
October 15, 2003

The following provides a summary of the progress and milestones for the Northern Kentucky Water District's (NKWD) Asset Management Program for the period of September 15 through October 15, 2003.

Phase 100 – Information Collection and Review. Phase 100 has been completed.

Phase 200 – Develop Water Treatment Plant Infrastructure Assessment Manager Program. Phase 200 has been completed.

Phase 300 – Evaluate Existing Facilities and Operations. Except for some final evaluation work being performed for the water treatment plants, Phase 300 has been completed.

Phase 400 – Develop Water Supply and Treatment Alternatives. Phase 400 is approximately 50 percent complete. Task item 401 – Develop Conceptual Strategies and Conduct Workshop, has been completed. Task items 402 – Evaluate Recommended Strategy, and 403 – Evaluate Rate Impact, are currently underway. Task item 404 – Workshop #3, has been completed (September 25, 2003).

Phase 500 – Prepare Report. Phase 500 is partially complete and in progress. Task item 501 – Prepare Draft Report is underway, with submittal of the draft project report to NKWD scheduled for November 21, 2003. The draft 5-Year Capital Improvement Plan was submitted to NKWD on September 29, 2003. Task item 502 – Prepare Final Report will not be started until NKWD review and receipt of resulting comments is completed. Submittal of the final report is anticipated approximately February 16, 2004.

Phase 600 – Provide Recommendations For Additional Studies. Phase 600 is ongoing, with various recommendations having been suggested to date and additional recommendations forthcoming.

As outlined in our initial report, a depreciation study typically consists of four stages;

1. Planning
2. Data collection

3. Analysis and synthesis and
4. Management evaluation and action

The first element, planning, has been addressed with the completion of interviews and review of operating documents in Phase 100 of the Program. The second and third elements, data collection and analysis, are essentially complete as indicated in the commentary on Phases 200 and 300 of the study. The final element, management evaluation, has been addressed in the workshops identified in Phase 400. The consolidation of all information on the treatment plant systems into a report which will identify and prioritize the annual reinvestment needed to keep the system whole will be delivered in late November.

The District is incorporating the funds necessary to move to Phase 2 of the asset management program into the 2004 budget. Phase 2 will provide more detailed information on the distribution system in addition to addressing the systems and resources needed to support ongoing asset management activities.